

INSIGHT.

The Journal of the American Chamber of Commerce in Shanghai - Insight March/April 2021

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THE NEXT BIG wave IN SPORTS



How the surge of growth in esports and skiing is paving the way for big business opportunities in China

Also in this issue:
how supply chains and consumer behaviors have shifted in China's post-pandemic era



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Dong Tao on the global and Chinese economies



POLICY P.22
The EU's relationship with China and the US



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AmCham Shanghai Welcomes New Members

Here are the companies and individuals that recently joined our community



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PRESIDENT'S LETTER



A handwritten signature in black ink that reads "Ker Gibbs".

KER GIBBS

**President of The American Chamber of
Commerce in Shanghai**

Continuous improvement is the hallmark of any good business or organization. For that reason, AmCham surveys members annually and asks about areas in which we can improve. I want to thank everyone who responded. Members are busy, but this year more members responded than in any year in recent history. Here are a few things we are going to change or improve as a result of member feedback.

Members want fewer emails, in fact 71% want only one email per week. While that goal may not be realistic due to the volume of programs and information the Chamber produces, we are striving to reduce the noise level and provide more information in fewer emails. Most members (93%) say email remains the primary method they use to stay informed, versus WeChat (47%) or our website (30%). In 2020 we managed to reduce the number of emails by 10% compared to 2019, and in 2021 we will continue looking for ways to reduce that number further.

Second, we learned that only half of our members are aware of our AmCham Shanghai video series and "China Voices" podcast, despite growing listenership and viewership numbers. We plan to build greater awareness of these two platforms this year, but I encourage members who have not yet listened to or watched these series to visit our website and search for them under the Content tab.

According to the survey, members want to see more high-level speakers. The Chamber takes a great deal of pride in our ability to attract highly sought-after speakers from business, academia, and government. This past year members heard from former Australian Prime Minister Kevin Rudd, the Biden administration's "Asia czar" Kurt Campbell, and California State Treasurer Fiona Ma.

We have taken this advice to heart and – travel and quarantine restrictions allowing – we will look to attract more senior business and policy figures to the Chamber in 2021. However, Zoom calls and webinars may remain the best available option until international travel restrictions are lifted.

As for topics of interest, members said the two most important subjects for 2021 are US-China relations and China's economy. Covid-19 information, naturally, is the third most requested topic. Our website has included a dedicated Covid-19

section since early January 2021, but the member survey feedback also confirms our decision to form a Covid-19 task force. We will continue to use these channels to keep members informed of any developments in vaccine distribution, quarantine restrictions or vaccine passport arrangements in the months ahead.

I'm happy to report that 81% of respondents described themselves as either "satisfied" or "extremely satisfied," with their AmCham Shanghai membership, with another 17% calling themselves "somewhat satisfied." Just 2% of respondents selected "somewhat dissatisfied" to describe their Chamber experience. We will carefully review and work to address any concerns that members noted in their survey responses.

Also notable was that 88% of respondents said that they were "likely" or "very likely" to recommend the Chamber to a colleague, friend or business contact. A similar percentage were "likely" or "very likely" to renew their membership.

Regarding membership fees, we learned that this is not a major source of dissatisfaction. On the contrary, 90% of members said their investment in the Chamber was "fair" or "more than fair." This came as no surprise, as fees have not changed in more than three years. Obviously, 2020 would have been the wrong year for a fee increase. The staff will talk with the Board about continuing to provide high-quality programs and services while keeping fee increases to a minimum.

Members' feedback has been helpful and constructive. With so many changes and challenges facing our businesses in China, the role of the Chamber has never been more important. Members have been extremely proactive in helping one another and the community at large, using the Chamber as a platform to do so. Our government engagement and committee level participation has been excellent, thanks to members who have stepped up to make their voices heard. We look forward to continuing to serve members this coming year and beyond.

Thank you, and happy year of the hard-working ox! **1**

THE EVOLUTION OF SUPPLY CHAIN IN CHINA'S POST PANDEMIC ERA

By Phil Lai



Phil Lai has over 19 years of consulting and industry experience driving operations and digital transformation programs. He is part of the management consulting practice at PwC and focuses on consumers, markets and luxury retail. Phil earned his Master of Business Administration and Bachelor of Science in Electrical Engineering from Queen's University in Canada.

Increase in e-commerce penetration

As Covid-19 has accelerated the convergence of online and offline platforms, the purpose of physical stores will likely transition from a purely point of sale location into interactive spaces designed for consumers to experience a brand's products, vision and values.

Brands that thrive in the post-pandemic world will capture consumers with their robust online presence while also re-defining the purpose of their remaining brick and mortar footprint. They will become more consumer-engaging via e.g., touch screens, in-store apps and customer and loyalty programs, etc., that allow consumers to interact with product and mix possibilities and other benefits.

Store design and fit-out, more than ever before, will need to inspire consumers to seek and adhere to brands that more closely align with their preferences and values through a broader and deeper showcase of what that brand represents.

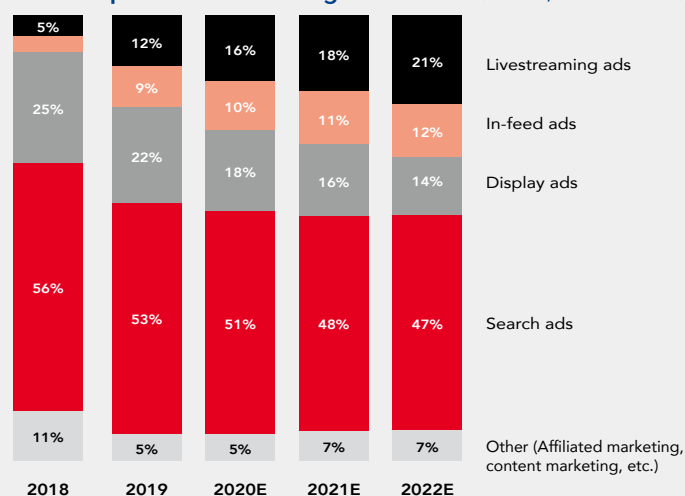
Effective, data-driven decision making and omnichannel marketing and sales will win wallet share.

Supply chain reconfiguration

Covid-19 has exposed the vulnerability of the global supply chain and accentuated the drawbacks of having a supply chain that is over-reliant on a single market

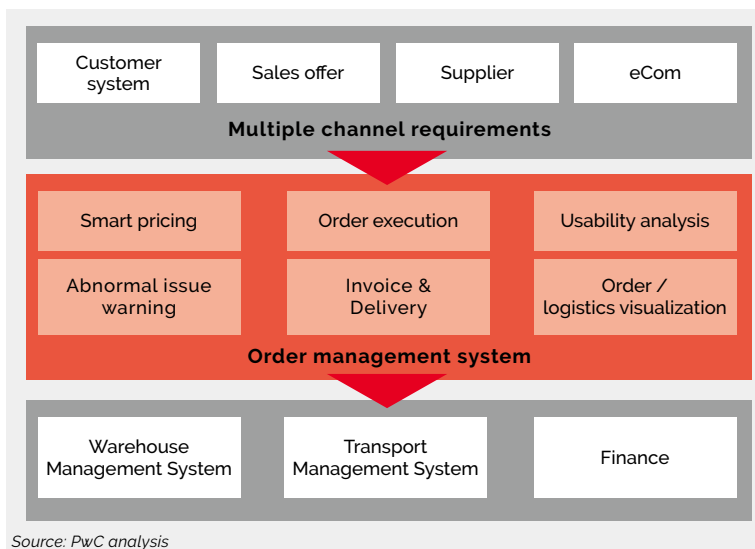
or region. Many economies, including China, experienced varying degrees of disruption to their raw material supply due to factory shutdowns at the onset of the pandemic. The stress of the pandemic and the increased digitization it brought has spurred companies to implement more agile and efficient supply chain solutions and tools covering the full-service cycle,

E-commerce platforms' advertising revenue mix (China, 2018-2022E)



Source: iResearch, PwC analysis

►
Data flow and
system integration
with OMS



including sales enablement, planning & forecasting, smart manufacturing and warehousing and distribution networks.

Sales enablement

Online platforms such as Douyin and Kuaishou are driving new trends in e-commerce sales channels. A prime example of this is livestreaming, which was estimated to have 122% year-on-year growth in 2020, driven by key opinion leaders (KOL), with an estimated market value in China of \$137 billion. As a result, many brands are building closer connections between their livestream and sales teams with fulfilment operations. This will allow the KOL and sales

staff to react faster to changing circumstances including price fluctuation and new sales tactics, depending on inventory positions.

To process orders across multiple and fragmented sales channels, leading brands and third parties are investing in upgrades to their order management systems (OMS) and planning solutions. Upgraded OMS will allow order visibility across all distribution channels, optimize procurement forecasts, reduce inventories, avoid store stockouts and ultimately define the best supply chain strategy from across the value chain.

Planning & forecasting

In the world of increasing digital commerce and constantly evolving consumer preferences, the accuracy of planning and forecasting is a key factor affecting the response efficiency of a supply chain. This is even more important during a global pandemic when demands are highly volatile and companies must actively manage inventory positions to minimize risk.

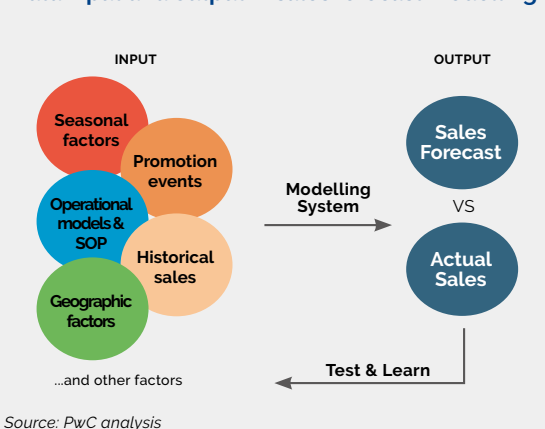
China's data-rich environment has provided an ideal sandbox

for big data companies to leverage omnichannel and customer data to improve operations. More than ever, brands and retailers in China are looking for real life use-cases to apply machine learning and artificial intelligence to optimize forecasting and planning accuracy.

In one instance, a world-renowned brewer in China implemented a new AI-driven forecasting tool in combination with a sales and operations planning (S&OP) system, which shortened its market response from 30 to 7 days and improved the average forecast accuracy from 70% to over 85%.

The brewer established a mutually trusted demand plan to drive back-end procurement, inventory and production planning, logis-

Data input and output in sales forecast modelling



tics etc., thus avoiding the risks of bickering, gaming and opaque decision making among various departments.

With the help of the S&OP structure, the brewer established a standardized forecast process. Sales personnel across all the branches will now report predicted values on a unified platform for a collaborative forecasting process that provides market information from the bottom to the top of the organization. When the headquarters holds S&OP meetings, they can use the platform to clearly show the forecasts of each branch and newly acquired business divisions.

Source: Forrester,
Predictive Analytics
and Machine Learning
in China, 2020 Q4



Brands that OEM factories are currently cooperating with

Main 3 OEM factories co-operating with Perfect Diary	Other prestigious cosmetics brands sharing the same OEMs
Kesimeite	Dior, L'Oréal, Lancôme, YSL, Chanel, Mac
Yingteli	Dior, Lancôme, Amarni, Gucci, Lamer
Shanghai Zhenchen	P&G, Olay, L'Oréal, Estée Lauder

Source: PwC analysis



▲ Alibaba Rhino factory

Smart manufacturing

Accelerated adoption of OEM Model due to Covid-19

Perfect Diary is one of the leading Chinese professional cosmetics brands and made its debut on the US stock market this past fall. It is also the first Chinese brand ever to lead in beauty sales for Alibaba's Double 11 shopping festival, beating other world-renowned brands.

One of the key success factors for Perfect Diary is its smart manufacturing strategy, leveraging Original Equipment Manufacturers (OEMs) to incorporate customer feedback and iteratively improve on products to launch in the market. Perfect Diary offers products at an affordable price point while still maintaining a similar quality to those products of big-name brands. This is made possible due to the extensive capabilities of OEMs in China – which have benefited from years of manufacturing for other foreign cosmetics brands.

By cooperating with dozens of OEM factories, Perfect Diary recorded nearly 1,000 stock keeping units

(SKUs) from 2017 to 2020 in China's cosmetics registration system. To keep up with trends and increase production efficiency, Perfect Diary recruited factory representatives stationed in supply sources. As soon as there is a new product or packaging material, the representative will have first-hand information and can react quickly to bring the product to market.

C2M model

The Consumer-to-Manufacturer (C2M) model is when consumer demands connect directly with manufacturers to buy a product via digital platforms. The model bypasses traditional intermediaries, such as distributors and agents, and reduces unnecessary costs, allowing consumers to purchase high-quality products at lower prices.

By producing on demand, factories can eliminate the inventory-sales ratio, which alleviates inventory risk. The key differentiator is highly competitive pricing for customers, while factories gain access to customer data and insights which

would have been previously held by retailers.

The C2M market is projected to exceed \$6 billion by 2022. Despite being a relatively new field that takes up only a fraction of China's e-commerce market, C2M is increasingly used by retailers.

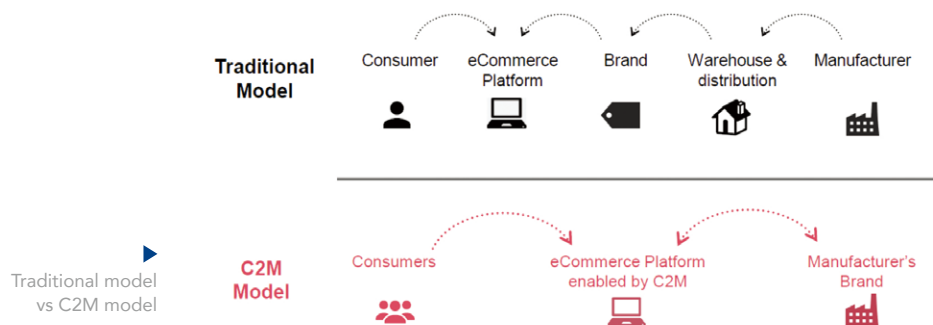
In September 2020, Alibaba's Rhino smart factory was officially launched in Hangzhou and utilized the C2M model. After sharing data with Taobao and Tmall, the Rhino factory will achieve "customized clothing mass production" using sales-based production, fashion trends prediction and quick development of "best-sellers." The Rhino Factory is a digital factory, relying on a small batch, fast-response supply chain that minimizes trial costs, reduces inventory costs and provides stronger resilience for small and medium-sized enterprises with weak anti-risk capabilities. By combining cloud computing, IoT and AI, its operation efficiency reaches four times the market average, and a minimum order of 100 pieces can be produced and delivered within seven days.

Warehouse & distribution network

JD's unmanned automation

JD's unmanned warehouse achieves the entire process of warehousing, storage, packaging and sorting completely by smart devices. This enables the company to increase its supply chain efficiency and handle 200,000 orders per day.

In 2014, JD implemented its "Shanghai Asia No. 1," logistics plan, the highest level in intelli-



Source: PwC analysis



Source: JD

gent logistics in China. After three years of practice and application, "Shanghai Asia No.1" has become the pillar of JD Logistics, relieving the pressure brought on by soaring orders from the 618 and Double 11 shopping festivals. The unmanned warehouse is a bold innovation in intelligent warehousing, and its order processing and comprehensive matching capacity are industry leading. In addition, the warehouse has 100% coverage of its automated and intelligent equipment, so it can cope with the flexible and changing business nature of e-commerce orders.

Data shows that China's express delivery industry consumes more than 10 billion cartons a year. As part of its corporate social respon-

sibility effort, JD Logistics has also incorporated low carbon and energy saving designs in the unmanned warehouse. It uses a smart algorithm to recommend packaging materials, which can accurately package items without wasting a centimeter of material.

JD logistics network's footprint expansion to lower-tier cities

As lower tier cities play a larger role in the growth of e-commerce, many e-commerce and logistics platforms have deployed warehouses and logistics networks in these locations.

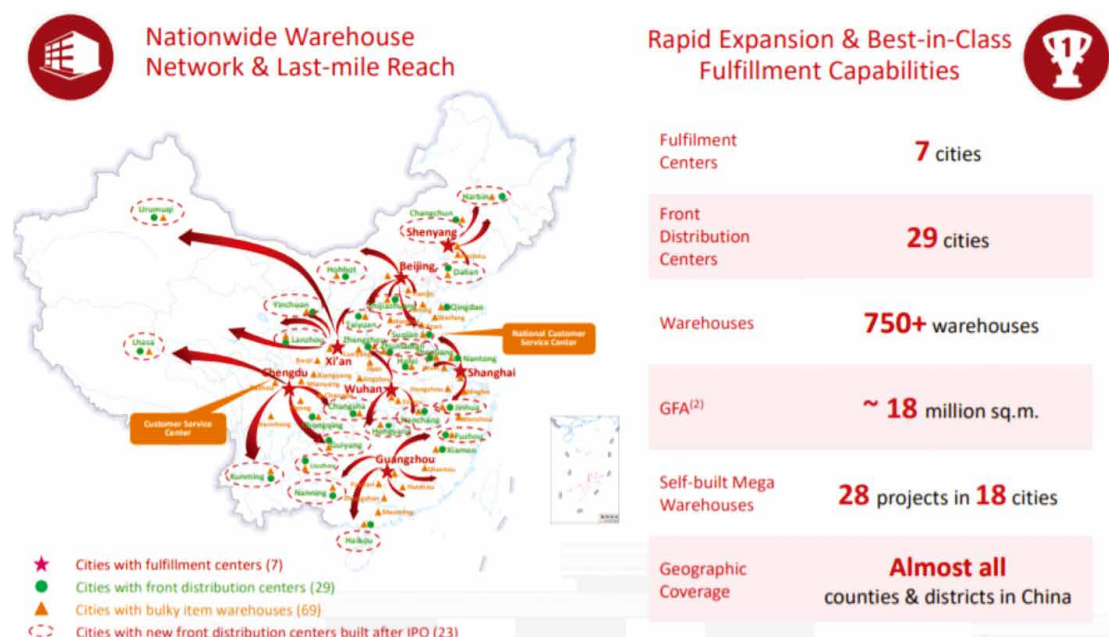
In August 2019, JD Logistics launched a nationwide logistics time-efficiency improvement plan called "24-hour delivery of thousand

counties," which focused on developing a warehouse and logistics network in lower tier cities. By the end of 2020, it had covered 92% of China's counties.

JD Logistics has invested in twelve "Asia No. 1" warehouses, all of which are oriented towards second-to sixth-tier cities, including capital cities such as Harbin, Shenyang, Changchun, Taiyuan and Zhengzhou, as well as logistics hub cities such as Langfang, Guanghan and Chuzhou. In the past, JD Logistics' delivery period in these cities was 5-7 days. However, during the "618 Shopping Festival" of 2020, after JD Logistics expanded, more than 91% of the warehousing and distribution integrated service orders are delivered the same or next day.

Conclusion

The Covid-19 pandemic has brought unrepresented challenges to brands and retailers, but it has also provided motivation for companies to innovate and streamline their supply chains. More companies are building leaner and more agile supply chains by embracing digital operations enabled by machine-learning, AI and automation. **I**



Source: JD

FROM COVID TO COMEBACK

CHINA & THE WORLD'S ECONOMIC RECOVERY

A conversation with Credit Suisse economist Dong Tao



Dong Tao is a managing director and the vice chairman Greater China for Credit Suisse Private Banking Asia Pacific. He has published more than ten books in his career. Tao joined Credit Suisse in 1998 as the chief regional economist for non-Japan Asia, with a focus on China. He moved from the investment bank to the private bank in July 2016. Prior to joining Credit Suisse, he was with Schroders Securities Asia as senior regional economist and head of China research.

In late February, Insight sat down with Dong Tao, Vice Chairman Greater China for Private Banking Asia Pacific at Credit Suisse. This is an edited transcript of his commentary on the global economy and China in the wake of Covid.

The global economy and China

There are two key words for the Chinese economy in 2020/2021: one is recovery, and one is transformation. China had much better control over the pandemic. China led the world's economic recovery. It is the only major economy in the world to post positive growth, and there is still understatement about what it can achieve this year.

I would describe the global economic recovery as a two-phase project. Phase one is the repairment of the supply chain; phase two is repairment of balance sheets. In human history we have never seen this type of cliff fall in industrial production. Damage to economies everywhere was traumatic, and it has shown in the statistics. But a supply chain recovery is relatively easy. Once your

remove social distancing restrictions, transportation and logistics will return and economies will bounce back relatively quickly. That happened in the third quarter of last year, when we saw a spectacular rebound in most countries. But during the second wave of the pandemic, things started to go down again – in Q4 [of last year] and Q1 of this year.

I would imagine a very strong rebound on the supply side, when pro-

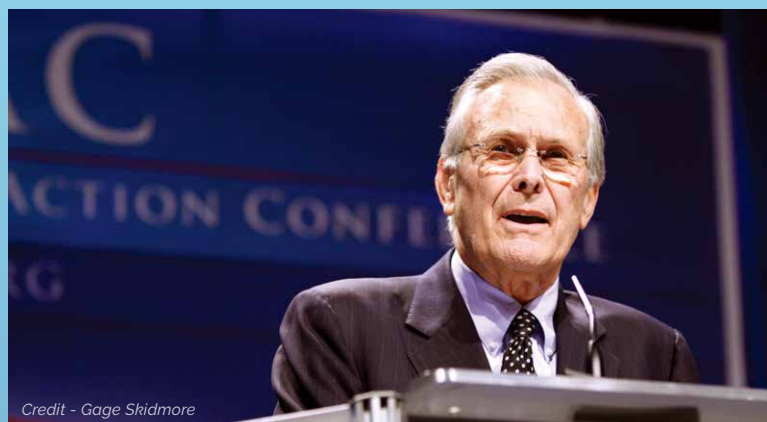


ducers realize that demand is still there and production inventory is very low. I think that has started already. So that's phase one of the recovery: the repairment of the supply chain. It will shoot up like a rocket. You will see a V-shaped rebound, but this V-shaped rebound may only go to maybe 80 or 90%, not 100% – it will depend on the country.

Balance sheets and stimulus

Repairment of balance sheets will take longer – repair of consumers' wallets, and repair of companies' wallets. In the pandemic many people lost their jobs, maybe some will be permanently lost, and when some people get new jobs, their salaries may be lower. If you can borrow, things will be okay. But borrowing is for large companies. In the US, smaller companies got a check from the government, but it's only for survival. The smaller companies cannot access the bond markets.

The US government has dropped a checkbook from a helicopter, but the stimulus is not going to last. What the government did in terms of printing money and emergency rescue checks will hold up balance sheets from collapsing, but it will not give sufficient upward momentum. This is an artificial source of growth. The Trump and Biden packages alone equate to 1.4 percentage points of GDP. That is very big, to secure a strong growth figure, nonetheless an artificial one, to keep the US economy above water. I don't see the US government doing this



Credit - Gage Skidmore

▲ His “unknown unknowns” went viral too

forever, and Europe has done a third of what the US has. Getting back to pre-pandemic levels will take a long time – the ‘last-mile’ jobs will be difficult.

Maybe will we see two-thirds of a V-shaped recovery and then a U-shape. We need to see the economy by itself to have organic growth. This will be a long and painful process with ups and downs in the middle. This is how I portray the picture of the global economy, but it will largely depend on the progress of the pandemic.

The Covid factor – immunizations and mutations

The threat of the virus will slow by the middle of this year. We probably will see somewhere between 200-250 million people in the US gain immunity. Half will be people who have had the shot, the others will have antibodies. Europe and Japan will be a little slower, but by the end of the fourth quarter – if things go smoothly – 70-75% of the population of Western economies will have immunity. One

thing that remains unclear is how large a percentage of people in the West will refuse to take a vaccine.

In China, a similar number of people will have received a vaccine, but China’s population is larger. In the major cities

you will probably see herd immunity, but the other parts of the population will gradually receive the vaccine in the following years. But starting from the middle of this year to the end of this year, a chunk of the global industrial base will achieve herd immunity. What does that mean for recovery?

Using Rumsfeld’s famous words: the virus is an unknown unknown: we don’t know when it will pop up, or when it will mutate. But if herd immunity is somehow achieved, we move from an unknown unknown to a known unknown. The process of recovery is still unknown, but we have seen recessions before, and we have much better knowledge to quantify the risks of the business cycle.

We know how the labor market behaves, and we know how monetary policy behaves, so it gives us a chance to quantify risk. This is why the market is moving ahead of the economic recovery: [People think] that if they know when the virus is going to disappear, then they know when there will be a global economic recovery. But the market is running ahead of reality. In economic terms

we call this the reflation trade – the economy is bouncing back, the job market is bouncing back, perhaps inflation is bouncing back.

I am reasonably optimistic about a global recovery story, but there may be future mutations of the virus. If some of those mutations occur in critical areas [of the virus], that could lead to acceleration of infection again by possibly making the vaccine entirely irrelevant. The frontier of the pandemic could move from the community to individuals. That is one of the key risks for the global economy.

Inflation is also coming back, and that could undermine monetary policy – look at what has happened in the US treasury market lately. And look at China – the market is volatile because the market is worried that the Central Bank is tightening monetary policy.

China’s economic recovery

Industrial production recovered in China. As for the second thing I mentioned – balance sheet recovery – China is still better than the rest of the world because the Chinese people have a lot of savings. When the fear of the virus has disappeared, consumption returns quickly. Just look at the box office figures over the Chinese New Year – they exploded. So, there is a base for the Chinese economy, especially Chinese consumption, to do much better than the rest of the world.

But China still has to run the last mile and get above the pre-pandemic level. China’s emergency package was a lot less than other countries’ and a lot less than that in 2009. In the rest of the world, the burden of rescue has

[People think] that if they know when the virus is going to disappear, then they know when there will be a global economic recovery. But the market is running ahead of reality.

fallen on the shoulders of government. In China, it's companies that need to write paychecks to staff – companies cannot lay them off. So, the balance sheets of businesses, especially small SMEs, are stretched. Some may have to sell or have already sold. The country still faces challenges.

Another thing China is doing is de-emphasizing its GDP figure. Of course, internally they still have a controlled target, but the government is no longer making GDP [growth] a life and death matter. This is a permanent change. It doesn't mean the government does not care about GDP; it means that the government does not want to be held hostage by a GDP target. You don't want a growth target to undermine your long-term stability target.

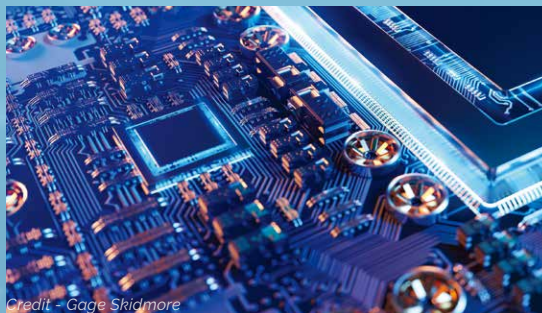
Economic transformation

The difference between China and the rest of the world this year is not growth, but the advancement of China's economic transformation. The old model – the housing boom, the infrastructure boom – has run out of steam. China wants to get to the next stage of development. The 14th Five-Year Plan is important – it will not be about how fast China will grow, but about how China aims to change itself.

While most of the economic powers were burdened by the virus or saying that the virus was nothing, the Chinese leadership was taking a group lesson on quantum computing. Before that, China's politburo was

taking lessons on AI, blockchain, 5G ... I have never seen leaders of other major powers doing this. This is genuinely impressive.

The early exit from the pandemic also gave China a head start in the race to compete in the data era. China is lagging the US in basic research, but it is running way ahead in appli-



Credit - Gage Skidmore

cations and perhaps the market. The leadership is very keen to advance that.

Chinese private sector investment

Two things are needed [to spur] Chinese private sector investment: respect for the property rights of private companies and respect of market rules. We have seen SOEs taking larger shares in the economy in terms of ownership. Labor costs are no longer cheap, while oversupply in the manufacturing sector is quite severe. And on the credit side, private companies are having some troubles.

In the old economy, the share of private ownership is coming down, but that might not necessarily be a bad thing. The private ownership in the new economy is quite high, so I am not entirely pessimistic about pri-

vate sector participation in the economy.

Dual circulation

In the past China has had dual circulation but with a heavy emphasis on export circulation. In the future, China's growth will shift from external-oriented to domestic-oriented.

Today, after the pandemic, fewer tourists will travel to Singapore or Paris – they will travel to Hainan Island. Tech companies importing their machinery will look for domestic sources before they search for an international supplier, if they can.

This is massively different, and other countries must not count on China to bail them out. What happened in 2009 is not going to happen this time – most orders, if possible, will go to the domestic market.

Globalization

What made the world great over the last 70 years was globalization. That's why we have seen the fastest productivity gains at any time in human history; that's why we have seen the fastest trade growth at any time; that's why more people have benefited from globalization than at any time in human history.

Globalization seems to have been undermined. This is not just about China and the US. Look at what happened with Europe and the UK, look at what happened with Japan and Korea, and let's look at the supply chain problems. We are going to see potentially slower growth as globalization reverses **I**

While most of the economic powers were burdened by the virus or saying that the virus was nothing, the Chinese leadership was taking a group lesson on quantum computing. Before that, China's politburo was taking lessons on AI, blockchain, 5G...I have never seen leaders of other major powers doing this. This is genuinely impressive.

ESPORTS IN CHINA

INFLUENCERS FOR A DIGITAL AGE

By Ruoping Chen

Last October, Shanghai hosted the League of Legends (LOL) World Championship, one of the most-watched global events in esports. Teams were flown in from all over the world to compete and, after submitting to a strict 14-day quarantine, played 114 games over a five-week stretch. Due to Covid-related restrictions, the final unfolded before a limited live audience of 6,300, with millions more following the competition online.

Shanghai's Nanjing pedestrian street was bedecked in LOL team crests, and metro stations displayed a panoramic history of esports. China has been the only country to host a live esports competition since last March as the global pandemic continues. This fall, the championship will again be played here, with teams traveling to a host of different Chinese cities before arriving in Shenzhen for the final.

The choice of venue is not solely a pandemic-related decision. China has become a hyper-lucrative market for esports, as is evident from the numbers. It is now the top market by revenue – an early 2020 forecast by esports analytics company Newzoo

estimated that China would reap in \$385.1 million last year, followed by all of North America at \$252.8 million. By 2023, China's esports market is expected to reach revenues of \$540 million.

More people here watch esports than in any other country, according to the same report, with China audiences reaching 162.6 million in 2020, while in North America viewership is less than half that at 57.2 million. And although estimates on the number of people involved in esports – either through watching or playing a core esports title – vary widely, the totals often cited range from 350 to 450 million esports fans in China.

Chinese cities are also competing to be the next esports capital of the world. Hangzhou unveiled its \$280 million "Esports Town" this past summer and plans to invest \$1.3 billion more in esports-related projects by 2022. Likewise, Shanghai is positioning itself to become a global hub for esports. It has started constructing a state-of-the-art \$898 million esports center in Minhang district spanning 500,000 square meters, designed so that esports teams and companies can base their operations out of it. A

hotel specifically for visiting teams and spectators will also be attached to the center.

Government and big tech funding

Much of this boom in infrastructure spending stems from government support, despite contradictory policy signals. In 2000, the Chinese government announced a 15-year ban on gaming consoles. As recently as 2018, it froze new video game releases for eight months over concerns of internet addiction, and a year later, cracked down on gamers under the age of 18.

At the same time, however, the government has eagerly expanded the esports industry, handing out subsidies for building venues and hosting tournaments. The Ministry for Human Resources and Social Security estimated that esports would fill 2 million jobs over the next five years, quadruple the size in 2019 of 500,000. It has also recognized "esports operator" and "esports professional" as legitimate university degrees.

Coupled with government backing is the fact that much of esports in China is run by tech giants. Tencent, for example, owns Riot Games, which

produces League of Legends, and has a 40% stake in American-owned Epic Games. Tencent also publishes China's top mobile esports game Honor of Kings, which claims to have 100 million daily users, and has invested in Huya and Douyu, livestream platforms popular with gamers.

NetEase, China's second-largest gaming company after Tencent, has partnered with American developer Blizzard Entertainment for Chinese publishing rights of its top esports titles including Hearthstone, Overwatch and World of Warcraft. In 2019 NetEase also announced plans to build and operate a \$710 million "Esports Park" in Shanghai's Qingpu District.

Beyond building up the esports ecosystem in China, it's the sponsorship deals that are making headlines, denoting esports' broadening influence over culture and society. Globally, sponsorship makes up about 60% of all esports revenue streams, and in China, it's huge as well.

In 2019 Nike announced its first leap into esports sponsorship by inking a four-year deal with the League of Legends Pro League (LPL) in China to provide the uniforms and shoes for all 16 squads in the league. A year later, Mercedes-Benz became the league's exclusive automotive sponsor. Far from the days when endemic sponsorships comprising gaming gadgetry were the norm, sponsors now span categories from skincare to insurance.

tural penetration and the awareness of esports is very high relative to other markets. In the US the number of people who actually know what esports is represents maybe a quarter of the population. But in China, recent research puts it at closer to three quarters," says John Oliverius, president of

speeds, 5G internet capabilities and increased graphics cards, and engaging games that require lower internet bandwidths. The "mobile-first" generation that grew up alongside internet cafes has accelerated esports adoption and growth and transitioned it to gaming on the go.



Verius Ventures, an esports- and media-focused consultancy. "Its grip on youth culture makes it a potent marketing channel. If you're a marketer, esports can be a great way to build your brand association with young people – to get mindshare of that demographic."

"In China, more people play or engage with esports casually [than compared to Western markets]. Especially because of the higher mobile penetration, you see more young people playing esports or watching professional esports streamers on their smartphones to pass the time such as during their lunch break or while on the subway,"

The native media for esports is online, adds Oliverius, which gives it an advantage over traditional sports in the era of streaming. Contrast this with football and basketball, which are structured – via their timeouts and commercial breaks – around broadcast television.

"Young people are basically trained to consume media online, from Youtube or Twitch or Bilibili, and that's really where esports resides," says Oliverius. "So how esports gets monetized and commercialized is going to be in sync with how content is monetized in the future."

If you're a marketer, esports can be a great way to build your brand association with young people – to get mindshare of that demographic



Cultural penetration

For many, esports represents a unique opportunity to capture the attention of and engage with an entire base of young people. In China, esports is seen as young, hip and cool.

"The really interesting thing about China as an esports market is the cul-

says Joseph Krassenstein, director of Marketing for MORE Sports, a mobile app and video platform that works with professional athletes and esports clubs.

Krassenstein notes that elevated mainstream attention and advancements are because of China being a mobile-first nation with higher mobile

Because of esports' proliferation into mainstream culture, top esports players in China have become celebrities and KOLs in their own right. In contrast with other markets, it is not unusual to see esports players featured in fashion shoots, decked out in Dior or Hermes. When Chinese es-



“Some of these teams and leagues command top dollar [in sponsorship value].”

ports team FunPlus Phoenix won the League of Legends World Championship in 2019, they took home the trophy and a luxury high-tech trophy case designed by Louis Vuitton.

Opportunities in sponsorship

The intersection of luxury and esports is a targeted move. According to Boston Consulting Group, 78% of Chinese luxury consumers are under 35. A separate report by Nielson estimates 80% of esports fans in China are in that same age bracket.

“Some of these teams and leagues command top dollar [in sponsorship value],” says Eric Hoang, director of Strategic Planning and Business Transformation at Herbalife Nutrition for China. “It’s actually not that far off from traditional sports and could be even more expensive, particularly in China.”

For Herbalife, there was also an opening in health and wellness that was untapped. Last summer the company entered esports for the first time, signing a three-year sponsorship deal with Chinese team Guangzhou Charge, a club that plays in esports league Overwatch. The aim was to provide its players with nutrition support and fitness advice, something that while more prevalent in Western teams, was lagging in Asia.

Just last year, China’s most famous esports player, Uzi, announced his retirement due to ill health, prompting industry-wide reflection on the mental and physical wellbeing of esports players. Herbalife wanted to improve Guangzhou Charge’s fitness and nutrition – and thereby elevate the team’s

in-game performance – as well as connect with esports’ youthful demographic.

Hoang says the first step his company took was to identify the specific esports game that they wanted to enter. Herbalife chose Overwatch, a team-based first-person shooter game developed by Blizzard Entertainment, which is popular in China. The company was attracted to the game’s “live” component and its similarities to traditional sports leagues, which Herbalife already had experience sponsoring.

A year-long search then began for a team that would fit with Herbalife’s sponsorship strategy. It was important for the company that teams believed in their brand and used their products.

“We want to show that there is a linkage with your performance if you use our product, or from the coaching, training and guidance from us,” says Hoang of the type of discussion he had with the team.

In addition, Guangzhou Charge’s owners, Nenking Group, a financial and entertainment conglomerate that also owns a basketball and football club, better understood the importance of physical assessments. They agreed to let Herbalife design the gym and pantry for a state-of-the-art esports facility currently being built in Foshan, their headquarters.

While Herbalife has a constant presence in the team’s online streams, the company is also keen to produce more branded lifestyle content with Guangzhou Charge this season. Hoang references a video his company produced with one of its players making a healthy milkshake recipe using Herbalife products.

Driving content

Content production is becoming a big part of sponsorship branding in esports, as esports stars increasingly overlap with the entertainment world. With an active audience already heavily engaged in streaming, companies like MORE Sports are taking the opportunity to produce targeted lifestyle content that appeals to esports fans.

“We’ll take an esports team out for

an offline activity, a racetrack for example, or paintball,” says Krassenstein. “We will pair a Chinese Olympic boxer with the team and have him go through a day of training with them to learn their gaming craft and have the esports players go through a day of boxing with him to learn his craft. It’s not only fun for the esports teams but also makes them more relatable to potential new fans unfamiliar with esports gamers.”

“It’s the type of lifestyle content that fans are looking for,” Hoang adds. “They want to know what’s going on when players are not playing. What are they doing in their daily lives? Esports teams are like content houses in that way.”

Newzoo’s Esports Trends to Watch in 2021 report writes that the industry will continue to diversify beyond the model set by traditional sports structures, “putting a large focus on other initiatives, like positioning their company as a lifestyle brand or moving toward content-creator strategies.”

For all of the growth and opportunities around esports, there is also volatility in the industry that sponsors need to assess. Compared to traditional athletes, the lifecycle of an esports player is very short, with stars often peaking around age 20. This leads to constant turnover, where one year’s team roster will not be the same as the next.

“You’re in the spotlight for one or two years and then either you are replaced by a younger player who has quicker brain-to-finger coordination, or you cap out. You no longer have the patience, the mental wellbeing, the personal health to continue at the top level,” says Krassenstein.

Oliverius adds that the long-term future for esports is not 100% clear, and while it is young and growing, one of the recurring questions is whether or not a valuation bubble exists.

“Right now China is trying to figure out what the outer edges of the esports industry are. You have esports hotels, you have Honor of Kings lipstick. You have TV shows, books, tourism packages. And there’s a lot of money going into land development,” he says. “It seems to me that esports in China has these ripples that travel very far, and I’m curious as to how far those ripples go.” **I**

TAKING TO THE SLOPES

By Kate Magill

In what feels like nearly every corner of the market, China has moved from playing catchup to surging ahead. Now, it's taking on snow sports. The country has pledged to put 300 million of its citizens on snow and ice ahead of the 2022 Winter Olympics, catapulting itself to the top of the global winter sports market.

China's winter sports ambitions were put on the political agenda in the Winter Sports Development Program for 2016-2025, part of a broader government plan to make China healthier. While 300 million skiers and skaters may seem outrageously ambitious, Chinese are taking up winter sports at impressive speed. The country is aggressively pushing skiing and snowboarding ahead of the 2022 Winter Olympic Games, set to be hosted in Beijing and neighboring cities.

The push has worked – in the last decade skiing has moved from a fringe, elite activity to a popular family affair. The market is rising to meet demand, with ski resorts emerging across the country and plans for more. Foreign snow sport apparel brands are vying for consumer attention, with stores in major cities as well as popular shops on sites like Tmall. Perhaps unique to China, indoor and simulated ski facilities are also rising in popularity, giving city skiers easy access to the activity.

For years, dedicated Chinese skiers flew to Japan, North America and the Alps to get their ski fix. But the increased domestic ski resort offerings, compounded this year by pandemic-induced border closures, have spurred a wider spread interest in Chinese ski spots. With the Winter Olympics less than a year away, China is reaching a major milestone in the evolution of its snow sports industry, as brands clamor for a share in what may soon be the world's largest ski market.

World-class resorts

The nation's ski industry statistics speak for themselves. Twenty years ago, there were just 56 ski resorts in China. By 2020, there were 770

and counting, according to the 2019 China Ski Industry White Book. The number of skiers and snowboarders, typically measured by visits to an indoor or outdoor ski resort, has similarly ballooned. In 2014, there were about 10.3 million visits; five years later it had reached 20.9 million.

The industry's impressive growth is due to several factors, including Beijing's endorsement, but it's also due in large part to the expansion of China's middle class. Families and millennials now have money and time to spare, and they want to spend it on new experiences – including active outdoor activities like skiing, said Calvin Lin, director of International Government Relationships at Trip.com Group, which actively tracks the industry's rise.

Foreign hotel brands like IHG, Marriott and Club Med have put down roots in ski areas in north-eastern Chongli and Changbaishan as well as Chengdu and Zhangjiakou, offering luxury services within walking distance of the slopes. In Chongli, IHG opened a Holiday Inn in 2018, and has five more resorts planned for its brands including Holiday Inn, EVEN, Crowne Plaza, Intercontinental and Kimpton, hoping to offer something for each type of traveler. The ski slopes are often operated by local companies, but through the growth of the resorts, hotels are looking to offer branded, luxury experiences and create returning customers, even after borders reopen and the Olympics has passed.

Lin noted that the majority of ski resort hotels that he sees are owned by overseas brands, an example of the foreign corporate dominance that exists thus far in the industry.

As the future host town of the Olympics, Chongli in particular has become a popular resort spot easily accessible from Beijing, only a two-and-a-half hour train ride away. Many resorts hope to tap into the "weekend getaway" market, said Eric Swanson, general manager of IHG's Taizicheng Resort Complex including the EVEN Chongli, InterContinental Chongli and Kimpton Chongli, which is push-

Snow51 estimates that in the coming years, China will reach 40-50 million annual ski visits, on par with the world's "big three" skiing nations – Austria, France and the United States.

ing to open before the Olympics. While trips to popular ski resorts in Japan and the US require longer international travel, Swanson is hoping to draw families looking to ski multiple times a season for shorter stays.

The ability to enjoy the sport at a resort for a short stay is enticing more families. A growing number of resorts have arisen within a short drive or train ride of major metropolises, including in the areas surrounding Shanghai, Hangzhou and Ningbo. In Pudong, Lingang City will become home to one of the world's largest indoor ski resorts – Wintastar Shanghai is on track for a 2022 opening, bringing 227,000 square meters of skiing to the city center.

Backed by Beijing's push into winter sports, industry consumer players see huge potential ahead. Hermann Winkler, co-founder of indoor ski operator and educator Snow51, believes the country will become the world's largest ski market, surpassing even the Alps. Snow51 estimates that in the coming years, China will reach 40-50 million annual ski visits, on par with the world's "big three" skiing nations – Austria, France and the United States.

"China will be the biggest alpine skiing market in the world very soon – before 2030," Winkler said.

Enthusiasts in the making

Companies continue to rev up their offerings in advance of the winter Games, and consumers are following suit. The market is expected to expand from 4.8 billion RMB in 2016 to 26 billion RMB by next year, according to market research group the EU SME Centre. The growth is thanks to increased sales on every-

thing from ski equipment and apparel to resort bookings.

The consumers driving this demand tend to be younger and hail from tier-one cities, with interest in skiing often spread on social media between friends, according to Lin. Winkler and Lin both noted that for many Chinese consumers, skiing stands out as a unique, status-driven trend.

While most Chinese skiers are new to the sport, that is shifting, as the first "second generation" young skiers take it up, taught by parents who have learned in the past several years. When French sporting goods company Decathlon entered the China market in 2003, the company estimated that more than 90% of its ski customers were beginners; by 2015 it had dropped to 80%. Now, Decathlon estimates it's down to half.

Decathlon is one of several foreign apparel brands vying for

Like many ski brands, Decathlon has forged lucrative partnerships with ski resorts and operators to offer pop-up shops near the slopes. In Shanghai, it has partnered with Snow51 to put a pop-up shop at one of the indoor ski operator's downtown locations. Snow51, established by Shanghai entrepreneur Kai Ye and Italy-based ski promotor Snow How China, has focused its China efforts on the indoor skiing market, hoping to bring the mountains to the city.

At one of Snow51's six Shanghai facilities, skiers can try out the sport in a coached session on what Winkler called a "ski treadmill" – skiing largely in place on a rotating track. The goal, Winkler said, is to create more return customers to the sport. Since many Chinese don't live near a mountain, their first ski experience can often be a disappointment, one they're unlikely to repeat, according

to Winkler. His goal is to change that through Snow51's membership-based 'ski gyms,' offering skiing education and a workout, making sure skiers are prepared the first time they hit the real slopes.

While much of the skiing industry is hoping to expand beyond the elite urbanites

with cash to burn, this is the demographic Snow51 is courting. Memberships can cost as much as 27,888 RMB a year, and the company also offers trips to send skiers to the Alps for a European ski experience. Snow51's strategy to build a seamless bridge between Chinese skiers and an Alpine skiing experience is one example of how foreign companies are driving China's ski ambitions, hungry for the consumers that come with China's growing role in the industry.



“ Twenty years ago, there were just 56 ski resorts in China. By 2020, there were 770 and counting ”

Chinese skiers' wallets, alongside companies like The North Face, Arc'teryx and Burton Snowboards. Foreign brands still dominate in China, where domestic brands have been slower to offer the same high quality, often highly priced, snow sport equipment and clothing. Decathlon carved out its niche as a more moderately priced option aimed at beginner- to mid-level skiers, said Tingjiao Zhu, marketing manager of winter sports at Decathlon.

The world's number one market

While it's still unclear if China will reach its 300 million skiers by next year, it has succeeded in expanding the market and popularity of snow sports. The year following an Olympics often brings a dip in the market as interest dissipates, said Swanson, who was previously the general manager of IHG's properties in PyeongChang, South Korea, site of the 2018 Winter Olympics. However, he said he was optimistic that the China market will keep growing after the Olympics are over and border closures end.

Examples of industry growth abound. Ski schools and apparel companies are tailoring to Chinese needs with gear and lessons specific to the harder artificial snow found on many Chinese slopes. Resorts are brainstorming how to stand out and offer world-class luxury. And more niche markets, like cross-country skiing and competi-



tive snow sports, are in their infancy, with massive room for growth and foreign market involvement.

The passing of the Olympics, Winkler notes, will mark the end of the beginning phase of China's winter sports industry; now as a vast swath of the population sees skiing as an affordable activity, firms can jump into the market.

"China has the potential to double the global winter sports market," said Winkler. **1**



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CONSUMER TRENDS IN FAST-MOVING CONSUMER GOODS

Q&A WITH KANTAR'S JASON YU

By Ruoping Chen



Jason Yu was appointed as managing director of Kantar Worldpanel China in Jan 2008. He has more than 22 years of consumer research experience, working with senior executives in the CPG industry. Previously, he served as account development director in Asia and consumer insight director in the UK. Under Jason's leadership, Kantar Worldpanel was recognized as one of the "Great Place to Work" organizations in Greater China in 2015 and 2016. Yu is also a frequent speaker at various industry forums and regularly featured in the domestic and international business press.

You describe in Kantar's 2020 China Shopper Report that the COVID-19 pandemic caused dramatic shifts in consumer behavior. Could you highlight what major changes occurred?

Primarily, there have been three changes. First is that consumer market growth was substantially lower in 2020 than in the previous year. There has been volume growth, but pricing has been under quite severe pressure. This indicates that consumers are facing pressure in terms of their disposable income (only a 1.2% increase according to the latest government statistics). Although trading up is still happening in China, consumers are increasingly looking at value propositions.

The second change is that there is a greater level of divergence in performance

across different categories in FMCG. Health and hygiene are growing very substantially along with products that help consumers with "in-home stay" – such as seasonings, products related to cooking, instant noodles, frozen food, etc. Meanwhile social and leisure are growing more slowly.

Thirdly, consumer shopping behaviors are getting more digitalized. Consumers are continuing to move from brick-and-mortar stores to digital channels. In 2020 that trend accelerated with consumers increasingly using not only e-commerce to purchase their daily necessities, but also emerging channels like O2O (home delivery) and community group buying channels. Purchases from livestreams are also growing substantially. All these channels pose some

cannibalization to traditional channels, but at the same time, provide new growth opportunities for FMCG companies in China.

Do you think these are permanent shifts in consumer mindset, or will people revert to previous behaviors once the worldwide pandemic has been contained?

In the next six to 12 months, I believe that these trends are here to stay, as the pandemic is not over yet. The sporadic outbreaks in different parts of China means that consumers are probably still going to stay more at home and consume more home-related products. But when things go back to normal, we will see more categories linked with social pleasure go up as consumers return to normal

family life, including visiting family and friends, and exchanging gifts.

In the longer term, ways of shopping will continue to change. Consumers are looking for the most convenient ways to shop through digital channels and social channels, and shopping combined with entertainment is going to be the new norm. Brick-and-mortar stores are also transforming themselves to be more digitally savvy. That also means that O2O will actually recoup some of the revenue loss that they experienced during the pandemic outbreak. Some loss in sales volume is probably permanent as consumers increasingly want to shop in the most efficient and experiential way. They don't enjoy wandering around for one or two hours; they want shopping to be very experience driven, to help them actually solve their problems.

You mentioned that for FMCG products volume is up, but pricing is down. Why do you think there has been this decline in price?

There is increasing divergence in price trends. In certain categories consumers are still trading up, they are still buying more premium product. But at the same time, because of the drop in disposable income and a greater focus on value proposition, they will choose the product that offers a more attractive price. That does not mean that the product is of poorer quality, but that consumers have more choice and are becoming more practical in choosing brands. This is actually happening across a lot of different categories.

Different retail platforms, both online and offline, are increasing their promotional activities. Nowadays almost every month you can find an e-commerce-related shopping event that tries to convince consumers to open their wallets. The proliferation of e-commerce means that price competition is fiercer, and new channels often launch with low price offerings. Think about live streaming. A live streaming event will boast that they have the lowest price you can find across all platforms in order to drive traffic.

The overall shift in retail, as con-

sumers shop less at shopping centers and are no longer going abroad or to duty-free stores, means that premium channels are not really keeping pace with the market. That also explains why overall market price is under enormous pressure at the moment. The good news is that consumption volume is still quite stable and growing.

How much does consumers' disposable income determine whether they'll tend to buy premium or low-priced products?

It's not really a one-size-fits-all. Chinese consumers are becoming more pragmatic, but their shopping behavior is not necessarily dictated by their social demographics. Consumers with less income, young consumers in smaller cities are buying more premium products to improve their lifestyles and because it's aspirational – they want to live the same

pay a premium.

What kinds of companies have made big gains over the past year?

Companies that are adopting a wide portfolio of products to satisfy different consumer needs. L'Oreal, for instance, has its prestige products that are doing very well on e-commerce platforms as well as its own DTC channels. At the same time they are getting more consumers through attractive pricing with their mass brands like L'Oreal Paris and Maybelline. It's not only about attacking the mass market; it's really about how you understand the different consumer needs that exist in the market and try to use different products to address those needs and maximize your opportunities. Obviously, there are local brands that are doing extremely well in the value segments, but most of the time the winners will be the compa-



life as their peers in the biggest cities. At the same time, in urban areas, white collar workers are increasingly choosing products from livestream events as well as social channels like Pinduoduo that offer great value. So no, it's not that the market is moving in one direction, it depends on the category and ultimately on the value you are offering your consumers. If consumers do not see the value you are offering, they will go for the lowest prices. But if they really see the unique or exceptional value that your brand is offering, then they will still

panies that are able to cover both premium and value.

You said in your report that O2O now represents 7.3% of total FMCG value, up from 4.3% in 2019. What are the main drivers for this growth?

O2O is growing on top of consumers becoming more digitalized. Consumers want convenience; they want one-stop-shopping, and they also want their products to be delivered within one hour. With developments in technology and expansions

in logistics networks, companies are able to do that in a more efficient way. So O2O is a very strong vehicle in helping companies and consumers get what they want. Close to 60% of urban Chinese consumers have started to buy from O2O channels in 2020 and we believe that number will easily get to 70% this year.

more on things like baby formula and diapers, which actually are very expensive, they also look after themselves, splurging on skincare. This is one group of consumers that many companies look to target.

Given China's aging demographic, how important is the shopping pow-

er focus, but they are changing as well. They are increasingly adopting more modern lifestyles. They like to try new things, they like to try Westernized products. They also want to spend on themselves rather than just for their families or their children. And because of the gradual shift in lifestyle, we see that they are



“It's really important to view this market not just as a laggard but more as a hidden goldmine.”

▲ YM_A

In your report you show that “super-moms” spend the most per capita on FMCG products, compared to all other consumer segments. What is a “supermom” and how do brands target this important segment of consumers?

Our definition of supermoms, which was originally developed by Tmall and Bain, are women who are either expecting a baby or have children under the age of 12. They mainly live in the bigger cities. They are willing to pay a premium for health and convenience and spend more money on quality FMCG products to care for their children and provide for the welfare of the family. Not only do they spend

er of older consumers to companies? Do you see any opportunities here?

In big cities like Shanghai and Beijing, “silver” consumers are already 20% of the total population and are probably going to grow to 30% in the next few years. It's really important to view this market not just as a laggard but more as a hidden goldmine. Companies need to understand not just what they are buying now, but also what their aspirations and interests are, as well as learn how to engage those consumers in a more effective way to unleash their purchasing potential.

Through studies conducted by Kantar, see that silver consumers have a very strong value-for-mon-

now buying new categories and new brands that previously were almost unthinkable to them. Another interesting finding is that e-commerce is already the second choice channel for silver consumers living in small towns. There is a wealth of opportunity for the brands to engage with these consumers through digital channels.

Therefore, my advice for marketers and retailers is, don't stereotype silver consumers. We all have our views about how they are, or what they will spend on. But if we really study their evolving needs, we will find a lot more opportunities than what currently we see, and we will actually help them improve their lives as well. **I**

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The European Union, China and America

Clinging on by their Fingernails

By Hanns W. Maull



Hanns W. Maull is senior associate fellow at MERICS, as well as adjunct professor of International Relations at the John Hopkins School of Advanced International Studies Bologna Center and senior distinguished fellow at the German Institute for International and Security Affairs (SWP) in Berlin. He served as chair for Foreign Policy and International Relations at the University of Trier in Germany until March 2013. His most recent book is *Reluctant Warriors, Germany, Japan, and Their U.S. Alliance Dilemma*, which he co-authored with Alexandra Sakaki, Kerstin Lukner, Ellis S. Krauss and Thomas U. Berger.



As the world settles into what is likely to be a prolonged period of bipolarity, in which much of global affairs will revolve around the bilateral relationship between America and China, Europe struggles to find its role. Its economic weight – the EU's GDP at purchasing power was estimated by the Central Intelligence Agency at USD 19.9 trillion in terms of purchasing power in 2019 – certainly puts it in the same league as the United States (USD 20.5 tr) and China (USD 22.5 tr), and the same also holds for other measures of power, such as population or military expenditure. Therefore, the EU could be expected to represent – in principle – a third pole in world affairs. And the ambition certainly exists: the buzzwords in Europe's foreign policy discourses these days are "strategic autonomy" and "European sovereignty." The present President

of the European Commission, former German Minister of Defence Ursula von der Leyen, came into office with the avowed ambition to lead a geopolitical commission; the Union would have to "relearn the language of power," according to the EU's Foreign Policy czar Josep Borrell. Yet, in practice the doubts persist: can the European Union, a grouping of 27 very different nation-states each jealously guarding its sovereignty, really act as one to live up to these aspirations?

What Europe needs to achieve in the game of geopolitics is clear enough. It needs to hold its ground in the rough and tumble of great power politics, to protect and promote its own interests and values. It needs to ensure an international order that is both compatible with its own principles and effective in meeting global challenges, such as climate change or the proliferation of weapons of mass destruction. To achieve this, the European Union needs to be, or needs to become, what in the jargon of international relations theory is called a "significant alter" to both America and China. That is, its views and policy suggestions need to be taken seriously and heeded in the corridors of power in Washington and Beijing.

The stakes in this game are high, and not only for Europe itself: ultimately, they are about the future shape of the interna-

tional order. At present, world politics is at a crossroads, with paths leading in three different possible directions: bipolarity hardening into a new Cold War, giving way to a new unipolar moment, or evolving into a new, pluralistic multilateral order in which liberal democracies can continue to prosper. Each of those three different worlds, characterized alternatively by persistent tensions, unipolar domination, or a concert of powers, would be the outcome of the power struggle between the two new superpowers America and China, as well as other great and smaller powers, including the European Union.

“
The simplest way
to characterize
Europe's
performance in
the context of
CAI is that the EU
wanted to have its
cake and eat it
”

This struggle will be animated by different models for multilateral global governance: China's version of multilateralism, last promoted by President Xi Jinping's virtual address to the Davos World Economic Forum, America's version under President Joe Biden that is beginning to take shape, and other versions, including that of the European Union. Yet probably only a European Union that is taken seriously by Washington and Beijing would offer the chance to modify and transform the bipolar world order into one that remained pluralistic and genuinely multilateral, rather than hierarchic and polarized.

To be taken seriously would require a European Union able and willing to fend for its own interests and values, but also to talk "truth to power" both in Washington and in Beijing. "Able and willing" implies a European Union that is capable of formulating and implementing a coherent and consistent strategy, acting as one, and that has the clout and determination to make itself heard. Its most important sources of power in this context are its ability to regulate one of the biggest single markets in the world, and its soft power as an attractive

socio-economic and political model.

Whether Europe can deliver on this demanding geopolitical agenda remains to be seen. Take relations with America first. The EU has come forward with wide-ranging proposals for re-setting transatlantic relations, and the Biden administration is as pro-European as you could get these days in Washington; it understands that America needs to work with allies and will therefore be inclined to view Europe again as its close partner. Yet its patience will not be infinite, and ultimately Washington needs a European Union that is capable of strategic action. Unlike the previous administration, the Biden administration would try to accommodate such a Europe.

In its relationship with China, the EU has already passed a litmus test for its geopolitical ambitions, albeit with mixed results. The Comprehensive Agreement on Investment (CAI) was concluded during the last days of December and therefore before the Biden administration took office, against the warnings of, inter alia, a prominent group of European China scholars and experts. In Europe, CAI subsequently has widely been criticized, mostly for its geopolitical shortcomings: Beijing claimed it as proof that the European Union was China's partner, thus undercutting efforts to build a transatlantic coalition against China.

The simplest way to characterize Europe's performance in the context of CAI is that the EU wanted to have its cake and eat it. "Eating the cake" refers to the concessions Beijing is willing to make to European commercial interests in certain industrial and service sectors in China; "having the cake" relates to the second prong of EU policies towards China. The EU is building up a toolbox against China's mercantilist practices in Europe, such as investment screening and regulations aimed at unfair advantages enjoyed by state-owned enterprises. With this, Europe hopes to get economic policy leverage so as to hold Beijing to its lofty declarations of intent and its promises. Part of this second prong of the European China policy is the fact that CAI still needs to be approved and ratified by all EU member states and the European Parliament; this will allow for an evaluation of China's performance in implementing its pledges. Overall, CAI and the EU's unilateral toolbox are to provide the foundations for a broader, geopolitically informed European strategy towards China, which re-



flects the complexity of a relationship that combines aspects of cooperation, competition, contestation and systemic rivalry.

The Comprehensive Agreement could yet unravel in the process of ratification; the support of the European Parliament, in particular, is far from assured. If the deal fell apart, this would expose the fissures within the European Union on policies towards China and expose the lack of cohesion and coherence in the EU's external relations. If the CAI survived, this would demonstrate that the EU is capable of developing and implementing a unified approach towards China – no mean feat in itself, given the complexities of decision-making in the European Union. This achievement would be overshadowed, however, by the way it was conceived – bilaterally, without any possibility to consult and coordinate with the incoming new American administration (which was barred from engaging with the EU at this stage), and as a cynical European riposte to Donald Trump's bilateral trade deals with China, rather than a far-sighted, seriously geopolitical move.

Whatever the ultimate fate of the CAI, it is likely to be the last chapter in Europe's past approach towards China, rather than the beginning of a new dawn in China-Europe relations. Its substance reflects above all the commercial interests of Germany's car manufacturers and other industrial behemoths such as Siemens and BASF. Within the EU, Germany's commercial relationship with China is an outlier: Germany alone accounts for almost half of the EU's exports to China, but only 31% of the block's exports to the US. About 5,200 German companies are active in China, many of them industry leaders; the two countries are connected through a dense web of transnational supply chains. The Agreement was pushed through by Germany, which at that time held the rotating chair of the EU, as part of the political legacy of Chancellor Angela Merkel. Merkel had defined the European relationship with China as one of her key ambitions for the German presidency of

the EU in the second half of 2020. Originally, she had hoped to secure the Agreement during an EU-China Summit planned in the city of Leipzig in September 2020, but the pandemic forced this summit to be held virtually. It failed to produce an agreement, as President Xi stonewalled. It was only after the defeat of Donald Trump and the perspective of a Biden administration that Beijing rushed to make concessions and thus enticed the Europeans into an agreement that may offer modest commercial benefits but fails to live up to the EU's broader geopolitical ambitions. A phone call placed by Xi to Merkel right after the US elections seems to have played a key role in this context.

In the future, relations between Europe

try published a seminal paper with a new, much more sober assessment of China's economic policies. Eastern Europe, erstwhile gung-ho about the partnership, has soured somewhat on the 17+1 process that brings together China with twelve member states of the EU (thus driving a wedge into EU unity) and five neighboring countries in the Balkans. The 5G debate has sharpened awareness about possible security risks related to Chinese activities in Europe. Future relations between Europe and China will therefore reflect the co-existence of cooperation, competition and systemic rivalry that the EU already foresaw in 2019. There will be no decoupling from China, but greater caution and efforts at reducing vulnerabilities, as well as more cooperation and coordination with allies and partners on countering China's ambitions.

Yet predicting the obvious – a more strained bilateral relationship – only underlines the need for a European capacity for sustained and strategically serious collective action. How to reconcile cooperation with contestation and containment in relations with China will be a major challenge for the European Union. In Brussels, there are many centres of power – the European Commission, the High Representative of the Common European



and China will come to reflect the new realities – within China and of China in the world. The People's Republic of China is not quite what the Europeans long assumed it to be: a docile student, to be molded in the West's image into a partner. Rather, China is a "power trader" that pursues economic prosperity as a means to realize national ambitions, under the leadership of the Chinese Communist Party and with the Party firmly in charge. As this has become clearer, public attitudes towards China have darkened significantly across Europe, though with important differences between member countries. Elated hopes about the gains to be reaped from engaging with China economically and diplomatically have been dampened, even in Germany: In 2019, the Confederation of German Indus-

try published a seminal paper with a new, much more sober assessment of China's economic policies. Eastern Europe, erstwhile gung-ho about the partnership, has soured somewhat on the 17+1 process that brings together China with twelve member states of the EU (thus driving a wedge into EU unity) and five neighboring countries in the Balkans. The 5G debate has sharpened awareness about possible security risks related to Chinese activities in Europe. Future relations between Europe and China will therefore reflect the co-existence of cooperation, competition and systemic rivalry that the EU already foresaw in 2019. There will be no decoupling from China, but greater caution and efforts at reducing vulnerabilities, as well as more cooperation and coordination with allies and partners on countering China's ambitions.

Yet predicting the obvious – a more strained bilateral relationship – only underlines the need for a European capacity for sustained and strategically serious collective action. How to reconcile cooperation with contestation and containment in relations with China will be a major challenge for the European Union. In Brussels, there are many centres of power – the European Commission, the High Representative of the Common European Foreign and Security Policy, the President of the European Council, the Council of Ministers and the Permanent Representatives of the member states, and the European Parliament. To get them all on the same page with a text that represents more than a low common denominator requires considerable political energy and astute leadership; to get the European Union in its entirety to pursue a coherent and consistent strategy is more difficult still. Will the European Union be up to this challenge in its future relationship with China? Who will step into Angela Merkel's large shoes when she bows out in September? Whatever the answers to these questions, they will profoundly affect the strategic US-China-EU triangle and hence the relationship between America and China. **I**

National Security Review of Foreign Investments into China

By Ron Cai, Sean Lao



Ron Cai has 31 years of legal experience assisting clients in US-China business projects. Before joining Zhong Lun Law Firm, he worked at several major international law firms in the US, Hong Kong and Shanghai for 28 years. He handles international M&A, general business and corporate law for MNCs in China, international business transactions and dispute resolution. He is a seasoned expert in Chinese TMT regulations, and market entry and daily operation compliance for the TMT industry.



Sean (Xiaoheng) Lao, an associate from Zhong Lun Law Firm, has over four years' experience in corporate and securities laws. He specializes in foreign direct investment, mergers and acquisitions, and capital markets. He has extensive experience in representing local and international clients in a wide range of industries, including high-tech, IT, manufacturing and banking.

On January 1, 2020, the Foreign Investment Law of the People's Republic of China (the "Foreign Investment Law") went into effect, establishing a nationwide security review system for foreign investments (the "Security Review System").

On December 19, 2020, the National Development and Reform Commission of the People's Republic of China (the "NDRC") and the Ministry of Commerce of the People's Republic of China (the "MOC") jointly issued the Measures for the Security Review on Foreign Investments (the "Security Review Measures"), which mapped out the framework for the enforcement authority, scope and procedure of the security review, as well as legal liabilities for non-compliance. The Security Review Measures took effect on January 18, 2021.

Key contents

The Security Review Measures consist of 23 articles and provide a framework for the enforcement authority, the review scope and the application mechanism of the security review. The Foreign Investment Security Review Working Mechanism Office (the "Working Mechanism Office") set up within the NDRC is the enforcement authority for the routine security review of foreign investments and the authorization of relevant regional government departments to collect and transfer materials. In addition, the NDRC service center is responsible for docking foreign investment security review applications.

Before the Security Review Measures, China already had certain security review legislation for (1) M&A of domestic enterprises by foreign investors, and (2) foreign investments in pilot free trade zones. The Security Review Measures absorb the legislative experiences of the previous legislation, and the application scope is broader than before.

According to the Security Review Measures, "investments" subject to security review include direct and indirect investment projects and can be divided into three main categories:

- Greenfield Investments: foreign investors, either solely or jointly with other investors, invest in new projects or enterprises in China;
- M&A: foreign investors acquire equity or assets of domestic enterprises through M&A; and
- Catch-all Clause: foreign investors invest in China by other means.

"Other means" are not defined or explained further in the catch-all clause,

giving discretion to the enforcement authority. The Security Review Measures also do not exclude special investment forms, such as the VIE structure.

Compared with the U.S. Foreign Investment Risk Review Modernization Act of 2018 and its implementation regulations (collectively, the "FIRRMA"), although the Security Review Measures contain several similar concepts, there are still some differences. For example, the FIRRMA only covers M&A transactions, while greenfield investments fall within the scope of security review under the Security Review Measure.

get company's business decision-making, personnel, finance, technology, among others. Such investments include those in important or critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transportation services, cultural products and services, information technology and internet products and services, financial services, key technology, or any other field related to national security, resulting in the foreign investor's acquisition of actual control of the enterprise invested in.

If foreign investors are not sure whether certain investments fall within the re-

historical legislature such as the Security Review System for M&A of Domestic Enterprises by Foreign Investors and the Security Review System for Foreign Investments in Some Free Trade Zones, the scope may include but is not limited to:

- The impact of foreign investments on national defense, including domestic products' production capacity, domestic service provision capacity, and relevant equipment and facilities required by national defense;
- The impact of foreign investments on the stable operation of the national economy;
- The impact of foreign investments on the order of basic social life;
- The impact of foreign investments on national cultural security and public morality;
- The impact of foreign investments on national network security; and
- The impact of foreign investments on the research and development capability of key technologies related to national security.

Review procedure

In addition to the enforcement authority, review scope, and the application mechanism described above, the Security Review Measures also provide detailed provisions on the foreign investors' application procedure, and the enforcement authority's security review execution procedure. Depending on the specifics of different foreign investment projects, the security review may include several phases, such as consultation, application and acceptance, general review, and special review.

The schedule below summarizes each step and the respective time frame of the security review procedure:

Specific Requirements	Time Frame*
Before deciding whether to apply for a security review, parties may consult the Working Mechanism Office on relevant issues.	—
The Working Mechanism Office shall decide whether a security review for the foreign investment is required after receiving the application materials.**	15 working days
The Working Mechanism Office shall approve the security review if it decides that the foreign investment does not affect national security after the general review.**	30 working days
The Working Mechanism Office shall decide to initiate a special review if it decides that the foreign investment affects or may affect national security after the general review.**	

A security review is required for any investment in the national defense industry, even if the foreign investor does not gain actual control. As long as the investment project belongs to the national defense industry, the investments fall into the scope of security review. This includes investments in the arms industry, ancillary to the arms industry, or any other field related to national defense and security, as well as investments in an area surrounding a military installation or an arms industry facility.

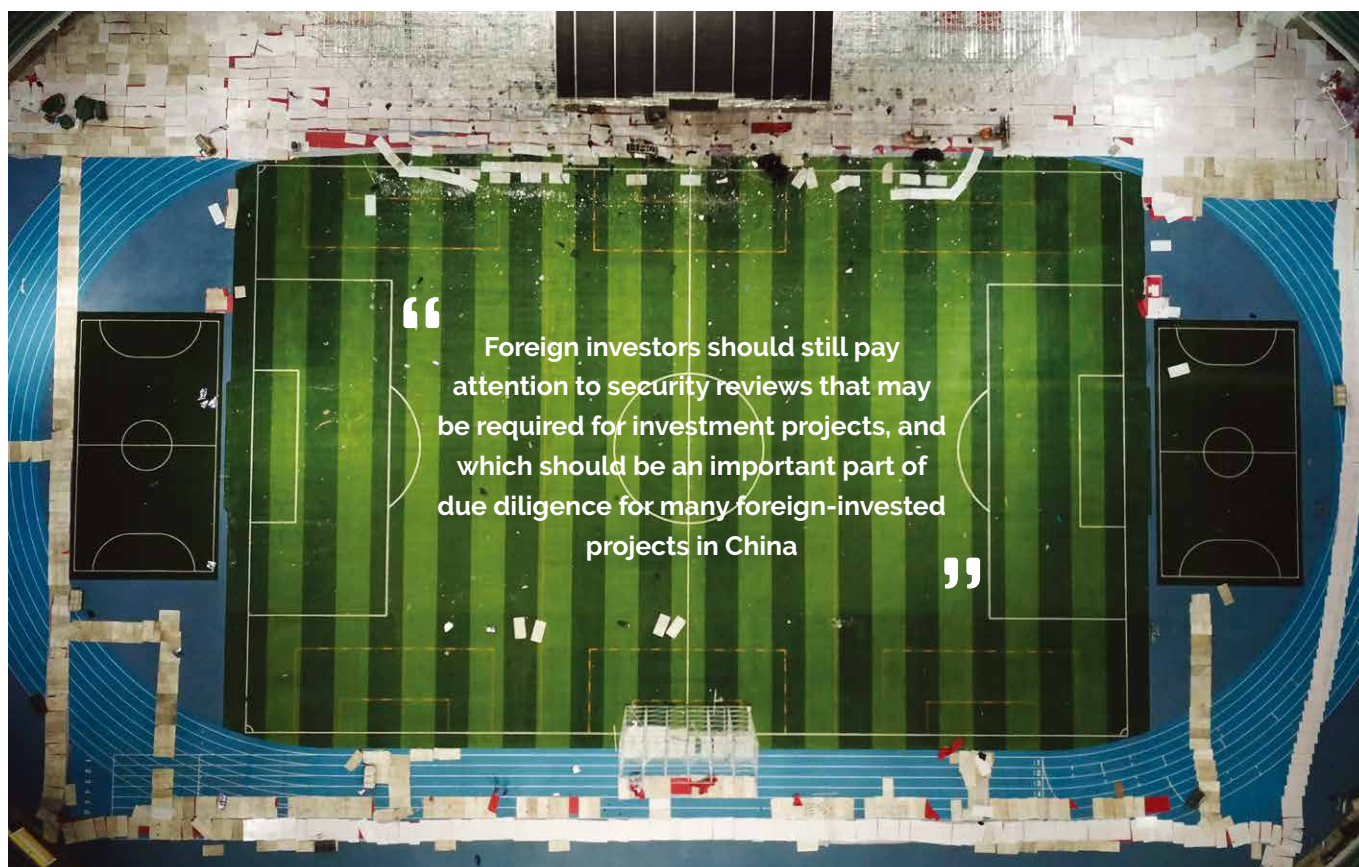
Investments in "important fields" that result in "actual control" of the target company will also be subject to security review. "Actual control" means that a foreign investor (1) holds over 50% of the shares of the target company, or (2) has enough voting rights that can materially influence the board or shareholders' resolutions, or (3) can otherwise materially influence the tar-

view scope, they can consult the Working Mechanism Office.

Foreign investors may choose to proactively submit an application for a security review to the Working Mechanism Office before investing. The Working Mechanism Office also has the power to order a party that makes any foreign investment within the application scope to apply for security review within a specified period. Similarly, a relevant government authority, enterprise, social group or member of the general public, among others, who thinks that any foreign investment affects or may affect national security, may propose a security review to the Working Mechanism Office.

However, the Security Review Measures do not specify by what scope investments are measured in the security review, which leaves room for the enforcement authority to decide. Based on





The Working Mechanism Office shall approve the security review if it decides that the foreign investment does not affect national security after the special review.**	
The Working Mechanism Office may approve the security review conditionally if it decides that the foreign investment imposition of conditions is sufficient to eliminate any effect on national security and the parties sign in writing to accept the imposed conditions after the special review.**	60 working days, which may be extended under exceptional circumstances
The Working Mechanism Office shall decide to prohibit the investment if it decides that the foreign investment will affect national security after the special review.**	

*Notes: * During the security review period, the time for the parties to provide additional materials is not included in the time frame. If the parties amend the investment plan, the time frame will restart from the date when the Working Mechanism Office receives the amended investment plan.*

*** The security review decision made following the law is a final decision and is not subject to remedies, such as administrative reconsideration or administrative litigation.*

Compliance suggestions

As mentioned above, while the security review framework has been provided, the Security Review Measures remain silent on certain issues. For example, there is no black-and-white rule on whether some special investment models, such as the VIE structure, are subject to the Security Review Measures. We hope that the enforcement authority will provide more explanation of related issues during implementations and enforcements.

The Security Review Measures limit the review scope to fields related to the national defense industry and important fields related to national security. Therefore, we understand that the direct impact on most foreign investors in China is relatively small. However, foreign investors should still pay attention to security reviews that may be required for investment projects, and which should be an important part of due diligence for many foreign-invested projects in China. Here are some suggestions for foreign investors:

1. Investigate and analyze a specific project's risk of security review before making any decision, and communicate with the enforcement authority when necessary;

2. Consider the impact of a security review on a specific project, e.g., adding the completion of the security review as a condition precedent in the transaction documents;

3. Monitor developments in the implementation of the Security Review Measures, including any detailed rules and procedures, and any publicly reported cases.

In summary, the Security Review Measure is an upgrade of the previous legislation, covering both M&A transactions and greenfield investments in important fields. The Security Review Measure provides a high-level framework for the enforcement authority, the review scope, and the application mechanism of the security review. However, it needs further guidance and clarifications from the enforcement authority. For foreign investors, it would be prudent to consider whether the potential investment falls within the scope of security review. Similar to antitrust, such consideration should be a check-box for future foreign investment projects. **1**

Videos & Podcasts

AmCham Shanghai's video and podcast series aims to bring you insightful discussion on some of the most pressing issues in economics, business and policy. Here are what we talked about recently:

"China Voices" Podcast:



Dan Wang, chief economist at Hang Seng Bank (China), forecasts the economy for the year ahead and offers her perspective on why she is not as optimistic as many about China's growth forecast.



Dr. Jing Wang, an assistant professor of Interactive Media Business at NYU Shanghai, discusses China's evolving fin-tech policies, and how the sector has become more heavily regulated in recent years.

To hear these podcasts and more, scan the QR code below:



VIDEOS:



Kent Kedl, Greater China and North Asia partner at Control Risks, shares his insights on China's domestic travel restrictions and how companies should manage them.



Michele Geraci, former Italian Under Secretary of State for International Trade and Investment, and currently professor of Practice in Economic Policy at Nottingham University, China, discusses the impact of the EU-China Comprehensive Agreement on Investments.

To watch these videos and more, scan the QR code below:



AmCham Shanghai Healthcare Committee Expert Council Con-Call Summary



AmCham Shanghai's Healthcare Expert Council gathered for its first meeting of 2021 on January 19, bringing together leaders from across the industry. Executives representing pharmaceuticals, diagnostics, medical devices, distributions and hospitals reviewed their 2020 business performances and discussed their key strategies and top priorities moving forward.

Healthcare Committee chair Greg Scott, founder and chairman of ChinaBio Group, opened the meeting by sharing a report on life-science investment activities in China. The report showed that despite the fact that M&A had a sluggish year, new records were set in the number, amount and size of new funds raised, as well as in VC investments, IPOs and partnering. Scott pointed out several fundamentals in place for successful cross-border investment, including the continued economic growth in China, substantial pharma market scale and the central government's strong support for healthcare innovation.

Overall, most member companies' businesses were severely impacted at the beginning of last year due to Covid, but then bounced back gradually. Most companies returned to normalcy or even gained rapid growth towards the end of the year. One member noted that their nutrition business was initially badly hit financially, only to reach impressive growth later in the year. One member's diagnostics business has rebounded well and the company has participated in the supply of nucleic test instruments, an endeavor the company sees as a major growth opportunity.

Hospitals have had a similar recovery. Unlike before the pandemic, foreign-invested hospitals are receiving an influx of domestic patients. One hospital member said their patient volume even hit a record high recently. With patient numbers rising as people regain confidence to go to the hospital, institutions are maintaining a high degree of vigilance about safety and health protocols.

Centralized procurements, known as "volume-based procurement," has become another concern for healthcare businesses. One medical distribution company had to cut costs in order to adapt to the huge drop in drug prices caused by the shift to VBP. One MNC member said they "gave up the price

battle," believing they have a better chance to win in a premier market in the future. Another pharma company said VBP has impacted both their innovative and generic businesses, and have had to make business strategy adjustments, but still managed to have their drugs included in the national reimbursement drug list.

Members' attitudes towards VBP differed slightly, but overall they are focused on understanding the pricing structure, re-thinking their strategies and on exploring the growth opportunities in a changing environment.

Some other key drivers for future growth include:

Innovation: One government affairs leader said that innovation will be a core focus and the company will pay close attention to the Greater Bay Area and keep advocating for a more innovative and friendly environment.

Investment: One member company has just made a significant investment in a joint venture of CDMO in China. Though it is a bit late, the company decided to invest as they "see tremendous opportunity, both from small- and mid-size local companies to large pharms coming into China."

Partnership: Members shared how they developed partnerships with stakeholders inside or outside China's healthcare ecosystem. One global pharma company said they are now partnering with a leading China biotech company on the commercialization of drugs outside of China. One of the world's top healthcare operators will open a tertiary hospital in partnership with a large China property company very soon.

One hospital member indicated that their future growth opportunities lie in the incubation of the premier private market. In the future, they will enhance their collaboration with the public healthcare sector and brand themselves as an example of alternative healthcare options.

The Expert Council group provides a unique opportunity to network, share experiences and discuss solutions in a collegial atmosphere. It is an exclusive, strictly invite-only forum for C-level executives, presidents and leaders of AmCham Shanghai's healthcare community. **1**

Event Report

AMCHAM SHANGHAI'S FINANCIAL SERVICES CONFERENCE

FINDING NEW OPPORTUNITIES IN AN ERA OF REFORM

AmCham Shanghai's Financial Services Committee, led by Han Lin and Steve Nelson, held its first ever financial services conference on January 20. The event explored the latest trends, opportunities and challenges in the industry. The day brought together more than two dozen of the region's top experts and executives in financial services, who shared their insights and debated ideas on issues including where industry regulation is headed and how a state-backed digital currency will impact the digital payments sector.

The day began with a keynote speech from Ning Zhu, a deputy dean and professor of finance at the Shanghai Advanced Institute of Finance, as well as a faculty fellow at the Yale University International Center for Finance. Zhu spoke about the large-scale growth of China's financial landscape, noting the major challenges that the market faces amid such expansion and how firms are attempting to mitigate their institutional and regulatory risk. The industry continues to become more globalized and open to international firms but is prone to sudden changes as regulations change and tighten.

The first panel of the day, "Asset Management: Searching for ROI," featured five speakers: Sybil Zhu from Robeco, Xuehai En from China International Fund Management, Theodore Niggli from MSCI, William Hui from Neuberger Investment Management Group and Jim Zhang from Blackrock. Some foreign investors remain wary of entering China's market because of a lack of understanding of its regulations and risk factors. Under the tumult of the Trump administration, more institutional investors had also cooled their market entry ambitions, but these may rekindle under a more stable Biden administration.

The rapid pace of change in China's digital payments sector

was the focus of the second panel, featuring Shirley Yu from Visa Greater China, Walter Liu from American Express and Richard Turrin, author of *Cashless - China's Digital Currency Revolution*, with moderator Han Lin, a China strategic advisor, investor in IPwe and a member the Chamber's Board of Governors. Digital payments remain one of the most exciting areas in financial services, particularly as the central government begins to roll out its digital currency. Digital currency is not expected to displace credit cards or digital payment platforms, but instead will work with different payment options.

Three of Shanghai's leading banking executives then discussed the latest in China's securities sector and capital markets: Jia Xu from CICC, Tim Yip from HSBC China and Ken Chen from UBS Securities. The speakers addressed the evolution of China's capital market, including changes in its size, depth, breadth and liquidity, and the panel was moderated Steven Nelson, president and founder of Element Asia Capital and the co-chair of AmCham Shanghai's Financial Services Committee.

Three leaders in the commercial banking sector finished the morning with a discussion of the continued growth of foreign investment in China's financial market. Speakers noted a shift from dependency on banking finance to a focus on capital market fundraising. Speakers included Jade Lu from Silicon Valley Bank China, Tim Huang from JPMorgan Chase Bank, Roderick Peek from Citibank (China) and moderator Han Lin.

Fintech, one of the most talked about aspects of digital innovation in China, was the focus of the afternoon's first panel, with speakers Michael Sung from Fudan University and CarbonBlue Innovations, David Messenger from LianLian Global, Henry Wang from IPwe and moderator Han Lin. As the fintech market comes

under tighter regulation with a focus on reining in risk, companies need to remain vigilant while operating in any regulatory "grey areas," particularly as a firm's favor with state regulators can change quickly. The use of digital currency will allow for greater ease in cross-border payments, with the challenge being to ensure secure and compliant digital transfers.

Leaders in China's venture capital space discussed the latest challenges facing private equity and VC deals as part of the panel "Financing the Innovation of the Future." Panelists included James Chou from Microsoft for Startups, Michael Zhang from Softbank China Venture Capital, Chris Pu from Telstra Ventures and moderator Han Lin.

The final panel of the day explored trends in the Chinese insurance market, featuring Celine Zhang from MSH China, Eric Zheng from Heng An Standard Life Insurance Company, Linmao Li from Lloyd's China, Brinton Scott from Winston & Strawn LLP and Kevin Bogardus from Chubb Insurance Company. While foreign players in China's insurance market are still relatively new with a small market share, their influence and expertise is growing. Insurance consumers in China are also becoming more sophisticated and looking for a wider range of services. Conversely, there remains large potential for Chinese insurance companies to have a larger global footprint, as few have yet to move into international markets.

Haibin Zhu, chief China economist and the head of Greater China Economic Research at JPMorgan, gave the closing keynote speech for the conference, offering an economic assessment and forecast for the coming year. Looking to the year ahead, optimism remains high for continual economic recovery, and up to 9.4% economic growth. China's recovery has been largely production-driven; stimulus policies focused on infrastructure and real estate investment have also aided market recovery. If the global pandemic is curtailed, incomes will improve and household savings will decline as consumers regain spending confidence.

SUZHOU CENTER HOSTS ITS FIRST GENERAL MANAGERS NETWORK EVENT

The AmCham Shanghai Suzhou Center hosted its first General Managers Network event on Jan. 21, which focused on the leading industrial trends in the new year. Kent Kedl, senior partner at Control Risks, Han Lin, strategic advisor at IPwe, Mattie J. Bekink, China Director of the Economist Intelligence Unit, and Guoxiong Zhang, Network Director at the Economist Intelligence Unit Shanghai served as speakers at the event. They shared their perspectives on China's market trends, the state of US-China relations under the Biden administration and the implications of the newly issued RCEP on China and other risk considerations for businesses operations.

Han delivered a speech on China's economy from a practical perspective, discussing how country-wide economic policies should reconcile with localized policies. He also shared his insights on China's governance structure and financial system. Han explained China's initiative to encourage inbound capital and gave his thoughts on China's fintech landscape. Kedl shared his thoughts on risks and opportunities for businesses in China. He pointed out that geopolitics will play a greater role

in opportunities for foreign companies, as well as state policies.

Bekink summarized the evolution of US-China relations over the years. She mentioned that while there is no immediate shift in policy, the change in presidential administration would likely bring new strategic approaches. She also addressed the often discussed issue of decoupling, noting that while tensions have risen, a total decoupling would not be easy given the still increasing ties between the two economies. For the Biden administration, relations with China are important but still fall behind domestic policy priorities.

Zhang noted the impacts of RCEP and touched on the origin of the agreement and the economic gains it brings. From his view, RECP is part of China's answer to the US-China tech rivalry.



AMCHAM SHANGHAI'S FIRST LEARNING & DEVELOPMENT FAIR

AmCham Shanghai hosted its first Learning & Development Fair on January 22, bringing together the Chamber's long-time, trusted training partners and our members responsible for their companies' talent development programs. The fair not only allowed attendees to meet these training partners to learn about their services, but also gave them a chance to learn from trainers in small roundtable sessions.

More than 20 service providers, offering resources on topics ranging from effective management skills and crisis communication to executive leadership courses and organizational skills, were present at the event. Each provider had the chance to showcase their services at an informational booth during the fair, during which attendees informally talked with and learned about the various programs and resources. The event then included 19 roundtable sessions, to give attendees the chance to hear more detailed information from speakers about their professional development programs and tools.

As HR practitioners, professional development strategists and others schedule their programming for the new year, the Learning & Development Fair was an opportunity for members to hear from top professionals in the field and to garner new ideas and strategies about how to best empower employees. At a time when markets are swiftly changing, companies need to equip their staffs with the necessary skillsets to excel in competitive fields. Professional trainers and programming can help companies fill gaps in those skillsets, and the Chamber's fair served as an effective way to bring together trainers and member companies to connect and learn. ¹



AmCham Shanghai



Financial Services Conference





Super Bowl LV Watch Party



Digital Transformation in Retail



Month in Pictures



HR Compensation and Talent Trends



AMCHAM SHANGHAI WELCOMES NEW MEMBERS



January & February New Members

JANUARY

Avidity Science (Zhejiang) Co., Ltd
Capital Tax Limited
Charles River Microbial Solutions (Shanghai) Co., Ltd.
CSC Group
Eminence Consulting Limited
Fairmont Nanjing
Flatmind Productions
Ground Breaking Real Estate (Shanghai) Co., Ltd.
Herbalife (China) Health Products Ltd.
Hill-Rom Shanghai, Ltd.
Hormel (China) Investment Co., Ltd
Hurun Report
IPWe China
M.Moser Design and Architecture (Shanghai) Co., Ltd.
Master Risk & Insurance Services, LLC
Microsoft Asia-Pacific Technology Co., Ltd.
Norbu Inc.
Piovan Plastics Machinery (Suzhou) Co., Ltd
Roosevelt Commerce (Shanghai) Co., Ltd.
Rothy's China Limited Company
Samsonite (China) Co., Ltd
SEMI China
Shanghai Vanke Bilingual School
Shanghai Jiaji Industrial Co., Ltd
Shanghai Pudong Kerry City Properties Kerry Hotel Pudong
Shanghai SIIC-Mori Building Commercial Management Co., Ltd
Singularity China
SPD Silicon Valley Bank Co., Ltd.
Subway Brand Management & Consultant (Shanghai) Company, Limited
Wahaha International School
Wailian Overseas Consulting Group
Zhejiang Cybernaut Investment
南京市贺福文化传媒有限公司

FEBRUARY

BorgWarner (China) Investment Co., Ltd.
Coopertire (China) Investment Co., Ltd.
Culligan Water Treatment Technology (Shanghai) Co., Ltd.
Hogan Lovells International LLP, Shanghai Rep. Office (U.K.)
LMI China (Shanghai) Inc.
RSM China CPA LLP
Samsonite (China) Co., Ltd
Solvay (China) Co., Ltd.

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AmCham Shanghai's annual ball returns this year on **Saturday, April 17 at Pudong Shangri-La.**

The AmCham Shanghai Ball is a glamorous and unforgettable night of music and dance. Our theme this year, **"Carnival de las Americas"** celebrates the collective food, music and culture of the Americas.

Please contact Kelly Deng (86 21) 6169-3008
or kelly.deng@amcham-shanghai.org for bookings.

Various sponsorship categories are designed to meet your branding exposure needs. All sponsorships are sold on a first-come, first-serve basis. For sponsorship enquiries and information, please contact Zoe Zhang at 021-6169 3011 or zoe.zhang@amcham-shanghai.org.

BALL AGENDA

6:30 PM - 7:30 PM

Registration | Cocktails

7:30 PM - 10 PM

Dinner | Entertainment

Lucky Draw

Best Dressed Awards | Live Auction

10 PM - MIDNIGHT

Dancing | Games | Late Night Snacks

*Agenda subject to change

